

Message Text

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TO AMEMBASSY RABAT PRIORITY

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E.O. 11652: N/A

TAGS: EFIN, MO

SUBJECT: CITIBANK CONCERNED ABOUT FUTURE OF ITS MOROCCAN
SUBSIDIARY

1. AT APRIL 1 MEETING BETWEEN CITIBANK OFFICIALS AND
AMBASSADOR ANDERSON IN NEW YORK, CITIBANK VICE CHAIRMAN
COSTANZO DREW AMBASSADOR'S ATTENTION TO PROBLEMS ITS LOCAL
SUBSIDIARY WAS FACING WITH RESPECT TO "MOROCCANIZATION"
PRESSURES WHICH FINANCE MINISTRY WAS CURRENTLY APPLYING,
THIS IN SPITE OF PREVIOUS GOM ASSURANCES TO CITIBANK THAT
PRESENT LEGAL ARRANGEMENT UNDER WHICH SUBSIDIARY OPERATES
OFFERED NO BASIS FOR OBJECTION.

2. COSTANZO ALSO DISCUSSED SEPARATE BUT POSSIBLY RELATED
ISSUE OF CITIBANK'S SWAP PROPOSAL TO MOROCCAN CENTRAL BANK.
SWAP WOULD PROVIDE CITIBANK'S SUBSIDIARY WITH
NECESSARY DH RESOURCES FOR MORE EFFECTIVE LOCAL LENDING
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OPERATIONS, WHILE AT THE SAME TIME PROVIDING CENTRAL BANK
WITH MUCH NEEDED FOREIGN EXCHANGE. UNFORTUNATELY, CITIBANK
HAD NOT YET RECEIVED ANY RESPONSE TO ITS SWAP PROPOSAL.
THIS LED BANK TO SPECULATE THAT THERE MIGHT BE SOME POLICY
LINKAGE BETWEEN CENTRAL BANK'S LACK OF ACTION ON SWAP
PROPOSAL AND FIN MIN'S PRESSURE RE "MOROCCANIZATION".

3. AMPLIFYING ON CITIBANK'S PROBLEM WITH "MOROCCANIZATION", COSTANZO SAID LOCAL VICE PRESIDENT BATCHELDER HAD INFORMED NY HEADQUARTERS THAT MOROCCAN FINANCE MINISTRY WAS NOW EXERTING SUBSTANTIAL PRESSURE TO OBLIGE LOCAL SUBSIDIARY, FIRST NATIONAL CITY BANK DU MAHGREB, TO ABANDON PRESENT ARRANGEMENT WHEREBY 50 PERCENT OF ITS CAPITAL STOCK IS HELD BY MOROCCAN "NOMINEE", WHO IS ALSO A MEMBER OF SUBSIDIARY'S BOARD OF DIRECTORS, AND TO SELL 50 PERCENT SHARE INSTEAD TO "REAL" MOROCCAN OWNERS, PURSUANT TO INTENT OF MOROCCANIZATION LAWS.

4. SUCH AN ARRANGEMENT WOULD GIVE CITIBANK REAL PROBLEMS SINCE ITS BASIC POLICY IS TO OPERATE EXISTING OVERSEAS SUBSIDIARIES AND BRANCHES AS WHOLLY OWNED SUBSIDIARIES. COSTANZO ADDED THAT IN SITUATIONS WHERE CITIBANK HAD NO CHOICE BUT TO ACCEPT LOSS OF CONTROL, IT PREFERRED AND, AS IN THE CASE OF COLOMBIA FOR EXAMPLE, ACTUALLY DID WITHDRAW FROM LOCAL OPERATIONS. COSTANZO BELIEVED THAT CITIBANK WOULD ALMOST CERTAINLY UNDERTAKE SIMILAR MOVE IN MOROCCO IF FIN MIN ADHERED TO ITS PRESENT RIGID POSITION. HE ADDED THAT IN CITIBANK'S VIEW, ITS DEPARTURE FROM MOROCCAN SCENE WOULD BE MORE DAMAGING TO GOM THAN TO CITIBANK, SINCE THE LATTER'S LOCAL OPERATIONS WERE NOT THAT IMPORTANT IN TERMS OF OVERALL BUSINESS REVENUE, WHEREAS ITS ABILITY TO SERVE GOM'S BROADER FINANCIAL NEEDS WAS SUBSTANTIAL. NEVERTHELESS, STRENGTH OF FIN MIN'S PRESSURE FOR "TRUE MOROCCANIZATION", COUPLED WITH LACK OF RESPONSE ON CITIBANK'S SWAP PROPOSAL, LED BANK TO SPECULATE THAT GOM MAY NOT IN FACT BE INTERESTED IN CITIBANK'S

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CONTINUED PRESENCE IN MOROCCO, PERHAPS FOR POLITICAL REASONS.

5. AMBASSADOR ANDERSON SAID HE WAS SURPRISED TO HEAR COSTANZO'S REPORT, AND THAT BASED ON HIS RECENT CONVERSATIONS WITH GOM AT HIGHEST LEVEL, HE HAD FORMED CLEAR UNDERSTANDING THAT MOROCCANS WERE ANXIOUS TO SEE CITIBANK CONTINUE LOCAL OPERATIONS, ESPECIALLY SINCE IT IS THE ONLY US BANK OPERATING IN MOROCCO UNDER ITS OWN NAME, AND KING HAS MADE KNOWN HIS DESIRE TO SEE ENLARGED US BUSINESS PRESENCE IN MOROCCO. HE SAID HE WOULD LOOK INTO THE MATTER ON HIS RETURN TO RABAT.

6. COSTANZO WELCOMED AMBASSADOR'S OFFER AND SAID CITIBANK WOULD TAKE NO PRECIPITOUS ACTION FOR THE TIME BEING. MOREOVER, HE SAID HE WOULD BE PREPARED TO EXPLORE ANY REASONABLE GOM PROPOSAL THAT SATISFIES CITIBANK'S KEY REQUIREMENT OF MAINTAINING EFFECTIVE CONTROL OVER ITS MOROCCAN SUBSIDIARY. FINALLY, COSTANZO EXPRESSED

WILLINGNESS TO COME TO RABAT, OR STOP OVER IN MOROCCO
DURING ONE OF HIS PERIODIC VISITS TO THE MIDDLE EAST,
WHENEVER CIRCUMSTANCES WARRANT.
VANCE

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